

RIVERSIDE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

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Riverside Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Greg Hansen	President	2015
Murray Fenn	Vice President	2013
Matt Bowen	Board Member	2015
Mark Beedle	Board Member	2013
Phil Reed	Board Member	2013
Dan Ives	Board Member	2015
Jeff Buckingham	Board Member	2015
School Officials		
Dr. James Sutton	Superintendent	2013
Tim Blum	Business Manager/ District Treasurer	2013
Marilyn Mickey	Board Secretary	2013
Joe Thorton	Attorney	2013

RIVERSIDE

CARSON-MACEDONIA-OAKLAND

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Riverside Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Riverside Community School District, Carson, Iowa as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Riverside Community School District as of June 30, 2013 and the respective changes in financial position and, when applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for Retiree Health Plan on pages 7 through 16 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Riverside Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2012 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 22, 2014 on our consideration so Riverside Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Riverside Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

May 22, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Riverside Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,735,184 in fiscal 2012 to \$6,902,907 in fiscal 2013, while General Fund expenditures increased from \$6,586,331 in fiscal 2012 to \$6,739,380 in fiscal 2013. The increase in revenues was more than the increase in expenditures resulting in an increase in the District's General Fund balance from \$1,291,892 at June 30, 2012 to \$1,455,419 at June 30, 2013.
- The increase in General Fund revenues was attributable to an increase in local and state source revenues. The increase in expenditures occurred primarily in the instruction functional area.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Riverside Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Riverside Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Riverside Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding in Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Riverside Community School District Annual Financial Report

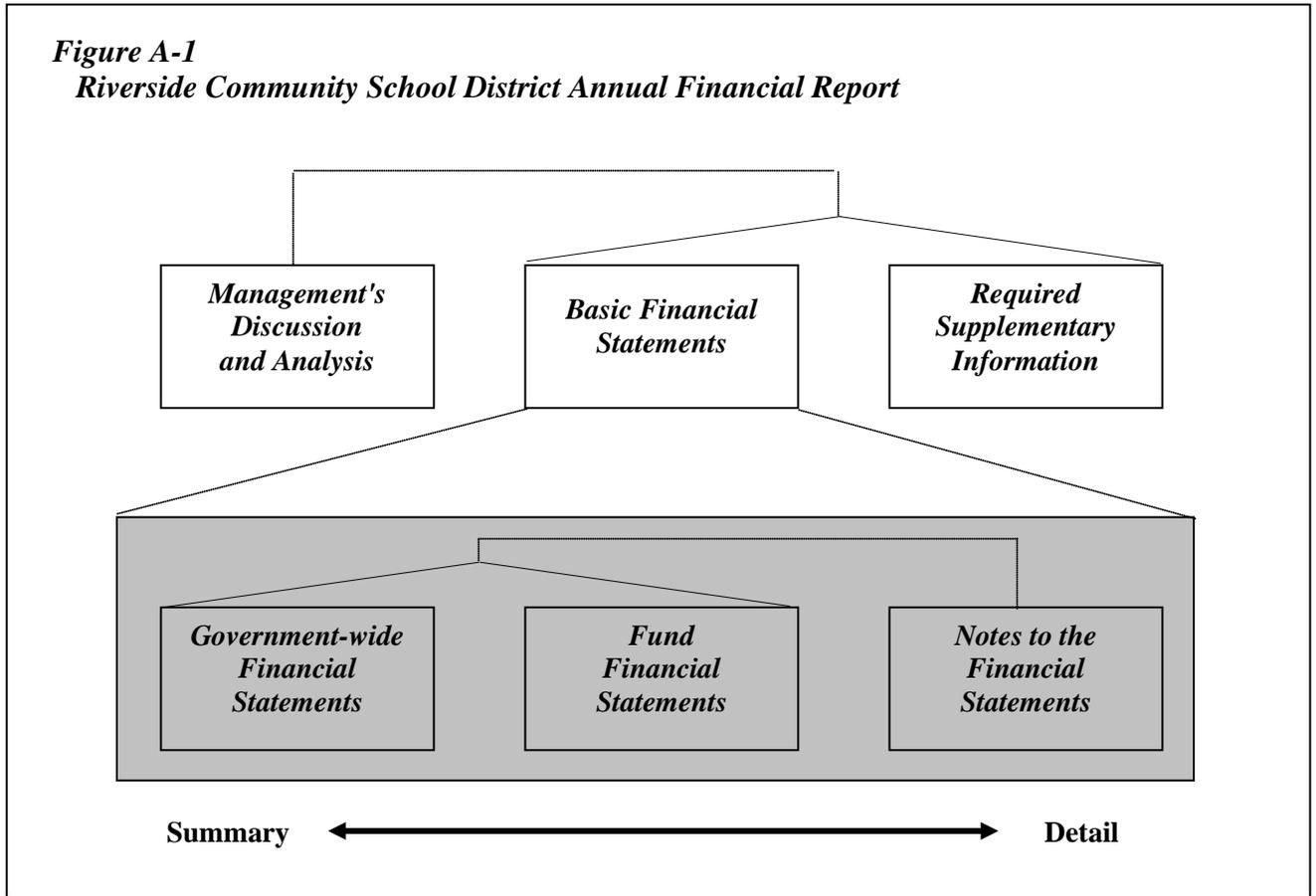


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Capital Projects Fund, and the Debt Service Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has three Enterprise Funds, the School Nutrition Fund, the Day Care Fund and the Farming Operation Fund. The District uses Internal Service Funds, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District has one Internal Service Fund that is used to account for the District's employee flexible benefit plan.

The required financial statements for the proprietary funds include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position and the Statement of Cash Flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at year end June 30, 2013 compared to June 30, 2012.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 8,718,407	8,339,080	77,130	22,211	8,795,537	8,361,291	5.19%
Capital assets	2,879,974	2,850,945	21,956	25,620	2,901,930	2,876,565	0.88%
Total assets	<u>11,598,381</u>	<u>11,190,025</u>	<u>99,086</u>	<u>47,831</u>	<u>11,697,467</u>	<u>11,237,856</u>	<u>4.09%</u>
Long-term obligations	796,469	909,820	34,046	40,704	830,515	950,524	-12.63%
Other liabilities	3,623,919	3,685,524	3,047	7,999	3,626,966	3,693,523	-1.80%
Total liabilities	<u>4,420,388</u>	<u>4,595,344</u>	<u>37,093</u>	<u>48,703</u>	<u>4,457,481</u>	<u>4,644,047</u>	<u>-4.02%</u>
Net position:							
Invested in capital assets, net of related debt	2,823,898	2,850,945	21,956	25,620	2,845,854	2,876,565	-1.07%
Restricted	3,709,758	3,182,360	-	-	3,709,758	3,182,360	16.57%
Unrestricted	644,337	561,376	40,037	(26,492)	684,374	534,884	27.95%
Total net position	<u>\$ 7,177,993</u>	<u>6,594,681</u>	<u>61,993</u>	<u>(872)</u>	<u>7,239,986</u>	<u>6,593,809</u>	<u>9.80%</u>

The District's combined net position increased by 9.80%, or \$646,177, from the prior year. A large portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$527,398, or 16.57% from the prior year. The increase was primarily a result of the increase in fund balance for the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$149,490 or 27.95%. This increase in unrestricted net position was primarily a result of the increase in the General Fund balance.

Figure A-4 shows the changes in total net position for the years ended June 30, 2013 compared to the year ended June 30, 2012.

	Figure A-4						
	Changes of Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
2013	2012	2013	2012	2013	2012	2012-13	
Revenues:							
Program revenues:							
Charges for service	\$ 434,216	365,433	197,827	230,714	632,043	596,147	6.02%
Operating grants, contributions and restricted interest	613,707	516,535	171,275	162,961	784,982	679,496	15.52%
General revenues:							
Property tax	3,032,575	3,037,391	-	-	3,032,575	3,037,391	-0.16%
Income surtax	238,831	259,040	-	-	238,831	259,040	-7.80%
Statewide sales, services and use tax	624,849	598,598	-	-	624,849	598,598	4.39%
Unrestricted state grants	2,751,930	2,708,555	-	-	2,751,930	2,708,555	1.60%
Nonspecific program federal grants	-	78,788	-	-	-	78,788	-100.00%
Unrestricted investment earnings	11,216	17,784	185	190	11,401	17,974	-36.57%
Other	116,551	140,973	57,705	2,361	174,256	143,334	21.57%
Total revenues	<u>7,823,875</u>	<u>7,723,097</u>	<u>426,992</u>	<u>396,226</u>	<u>8,250,867</u>	<u>8,119,323</u>	<u>1.62%</u>
Program expenses:							
Governmental activities:							
Instruction	4,820,335	5,012,969	-	-	4,820,335	5,012,969	-3.84%
Support services	1,988,373	2,253,552	-	1,725	1,988,373	2,255,277	-11.83%
Non-instructional programs	-	-	364,127	425,313	364,127	425,313	-14.39%
Other expenses	431,855	385,415	-	-	431,855	385,415	12.05%
Total expenses	<u>7,240,563</u>	<u>7,651,936</u>	<u>364,127</u>	<u>427,038</u>	<u>7,604,690</u>	<u>8,078,974</u>	<u>-5.87%</u>
Change in net position	583,312	71,161	62,865	(30,812)	646,177	40,349	-1501.47%
Net position beginning of year	<u>6,594,681</u>	<u>6,523,520</u>	<u>(872)</u>	<u>29,940</u>	<u>6,593,809</u>	<u>6,553,460</u>	<u>0.62%</u>
Net position end of year	<u>\$ 7,177,993</u>	<u>6,594,681</u>	<u>61,993</u>	<u>(872)</u>	<u>7,239,986</u>	<u>6,593,809</u>	<u>9.80%</u>

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 84.97% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 86.44% of the revenue from business type activities.

The District's total revenues were approximately \$8.25 million, of which approximately \$7.82 million was for governmental activities and approximately \$0.43 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.62% increase in revenues and a 5.87% decrease in expenses. Revenues from unrestricted state grants increased \$43,375 contributing to the increase in revenues.

Governmental Activities

Revenues for governmental activities were \$7,823,875 and expenses were \$7,240,563 for the year ended June 30, 2013.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 4,820,335	5,012,969	-3.84%	4,114,922	4,373,956	-5.92%
Support services	1,988,373	2,253,552	-11.77%	1,895,785	2,252,957	-15.85%
Other expenses	431,855	385,415	12.05%	181,933	143,055	27.18%
Totals	<u>\$ 7,240,563</u>	<u>7,651,936</u>	<u>-5.38%</u>	<u>6,192,640</u>	<u>6,769,968</u>	<u>-8.53%</u>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$434,216.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$613,707.
- The net cost of governmental activities was financed with \$3,032,575 in property tax, \$238,831 in income surtax, \$624,849 in statewide sales, services and use tax, \$2,751,930 in unrestricted state grants, \$11,216 in interest income and \$116,551 in other general revenues.

Business Type Activities

Revenues of business type activities for the year ended June 30, 2013 were \$426,992 representing a 7.76% increase from the prior year, while expenses totaled \$364,127, a 14.73% decrease from the prior year. The District's business type activities include the School Nutrition Fund, Day Care Fund and the FFA Farm Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Riverside Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,852,921, above last year's ending fund balances of \$4,347,217. The increase in ending fund balances can be attributed to the increases in the General Fund and Capital Projects: Statewide Sales, Services and Use Tax Fund balances in fiscal year 2013.

Governmental Fund Highlights

- The District's increase in General Fund financial position is the product of many factors. Increases in local and state revenue sources produced the majority of growth in revenues. General Fund expenditures decreased by cutting costs where possible and closely monitoring the budget. In the midst of a difficult economy, revenues outpaced expenditures resulting in an improved financial position for the District.
- The Capital Projects Fund balance increased from \$2,636,555 at June 30, 2012 to \$3,018,147 at June 30, 2013. The Statewide Sales, Services and Use Tax Fund balance increased \$396,896 when compared to the previous year. The Physical Plant and Equipment Levy Fund balance decreased \$15,304 when compared to the previous year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$11,322 at June 30, 2012 to \$23,003 at June 30, 2013, representing an increase of 103.17%. Increased revenues from federal sources and a slight decrease in total expenses contributed to the increase in the School Nutrition Fund balance.

The Day Care Fund net position increased from a deficit \$1,966 at June 30, 2012 to a balance of \$3,225 at June 30, 2013. Revenues decreased when compared to the prior year; however, the decrease in expenses outpaced the reduction of revenues ensuring the increase in fund balance.

The FFA Farming operation's net position increased from a deficit balance of \$10,228 at June 30, 2012 compared with a fund balance of \$35,765 at June 30, 2013. The District had operating revenues of \$52,689 and operating expenses of \$6,749 causing the increase in fund balance.

BUDGETARY HIGHLIGHTS

The District's revenues were \$28,322 less than budgeted revenues, a variance of 0.34%. The most significant negative variance resulted from the District receiving less from local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$2,901,930, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.88% from the prior year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$227,144.

The original cost of the District's capital assets was \$8,685,327. Governmental funds account for \$8,603,897 with the remainder of \$81,430 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$91,549 at June 30, 2012, compared to \$129,906 reported at June 30, 2013. This increase was due to the capital lease agreement for a bus during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2012-13
Land	\$ 491,505	491,505	-	-	491,505	491,505	0.00%
Buildings	2,082,999	2,081,519	-	-	2,082,999	2,081,519	0.07%
Land improvements	197,520	211,992	-	-	197,520	211,992	-6.83%
Machinery and equipment	107,950	65,929	21,956	25,620	129,906	91,549	41.90%
Total	\$ 2,879,974	2,850,945	21,956	25,620	2,901,930	2,876,565	0.88%

Long-Term Debt

At June 30, 2013, the District had \$830,515 in total long-term liabilities. This represents a decrease of 12.63% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

- The District had a bus lease payable of \$56,076 at June 30, 2013, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had compensated absences payable of \$16,209 at June 30, 2013, payable from the General Fund.
- The District's net OPEB liability at June 30, 2013 was \$758,230. Governmental activities account for \$724,184 and business type activities account for \$34,046.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Computer lease	\$ -	15,821	-	-	-	15,821	-100.00%
Bus lease	56,076	-	-	-	56,076	-	100.00%
Termination benefits	-	238,281	-	-	-	238,281	-100.00%
Compensated absences	16,209	7,705	-	-	16,209	7,705	110.37%
Net OPEB liability	724,184	648,013	34,046	40,704	758,230	688,717	10.09%
Total	\$ 796,469	909,820	34,046	40,704	830,515	950,524	-12.63%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Due to the challenging economic environment facing the District, including budget concerns at the state level, the District will be forced to continue to explore all opportunities to reduce expenditures and/or increase revenues.
- Open enrollment continues to eat into District funding as the number of resident students open enrolled out far exceeded non-resident students open enrolled in.
- Low allowable growth over several years and enrollment issues are negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- On July 1, 2013, the IPERS employer contribution increased to 8.93%, which will increase the Riverside Community School District's employer benefit costs during fiscal 2014.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tim Blum, Business Manager/Board Treasurer, Riverside Community School District, 330 Pleasant St, Carson, IA 51525.

BASIC FINANCIAL STATEMENTS

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,180,611	66,636	5,247,247
Receivables:			
Property tax:			
Delinquent	29,641	-	29,641
Succeeding year	3,034,759	-	3,034,759
Income surtax	224,675	-	224,675
Accounts	673	-	673
Due from other governments	248,048	-	248,048
Inventories	-	10,494	10,494
Capital assets, net of accumulated depreciation	2,879,974	21,956	2,901,930
Total assets	11,598,381	99,086	11,697,467
Liabilities			
Accounts payable	28,882	130	29,012
Salaries and benefits payable	558,691	2,590	561,281
Interest payable	1,587	-	1,587
Deferred revenue:			
Succeeding year property tax	3,034,759	-	3,034,759
Unearned revenue	-	327	327
Long-term liabilities:			
Portion due within one year:			
Bus lease payable	27,647	-	27,647
Compensated absences payable	16,209	-	16,209
Portion due after one year:			
Bus lease payable	28,429	-	28,429
Net OPEB liability	724,184	34,046	758,230
Total liabilities	4,420,388	37,093	4,457,481
Net Position			
Invested in capital assets, net of related debt	2,823,898	21,956	2,845,854
Restricted for:			
Categorical funding	309,803	-	309,803
Management levy purposes	266,694	-	266,694
Student activities	115,114	-	115,114
School infrastructure	2,913,392	-	2,913,392
Physical plant and equipment	104,755	-	104,755
Unrestricted	644,337	40,037	684,374
Total net position	\$ 7,177,993	61,993	7,239,986

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT B

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,990,299	122,006	59,209	(2,809,084)	-	(2,809,084)
Special	764,619	18,520	60,095	(686,004)	-	(686,004)
Other	1,065,417	201,102	244,481	(619,834)	-	(619,834)
	<u>4,820,335</u>	<u>341,628</u>	<u>363,785</u>	<u>(4,114,922)</u>	<u>-</u>	<u>(4,114,922)</u>
Support services:						
Student	138,307	18,425	-	(119,882)	-	(119,882)
Instructional staff	134,811	-	-	(134,811)	-	(134,811)
Administration	708,345	35,423	-	(672,922)	-	(672,922)
Operation and maintenance of plant	700,173	11,673	-	(688,500)	-	(688,500)
Transportation	306,737	27,067	-	(279,670)	-	(279,670)
	<u>1,988,373</u>	<u>92,588</u>	<u>-</u>	<u>(1,895,785)</u>	<u>-</u>	<u>(1,895,785)</u>
Long-term debt interest	1,742	-	-	(1,742)	-	(1,742)
Other expenses:						
AEA flowthrough	249,922	-	249,922	-	-	-
Depreciation(unallocated)*	180,191	-	-	(180,191)	-	(180,191)
	<u>430,113</u>	<u>-</u>	<u>249,922</u>	<u>(180,191)</u>	<u>-</u>	<u>(180,191)</u>
Total governmental activities	<u>7,240,563</u>	<u>434,216</u>	<u>613,707</u>	<u>(6,192,640)</u>	<u>-</u>	<u>(6,192,640)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	303,472	146,047	168,535	-	11,110	11,110
Daycare operations	53,906	51,780	2,740	-	614	614
Student farm operations	6,749	-	-	-	(6,749)	(6,749)
	<u>364,127</u>	<u>197,827</u>	<u>171,275</u>	<u>-</u>	<u>4,975</u>	<u>4,975</u>
Total business type activities	<u>364,127</u>	<u>197,827</u>	<u>171,275</u>	<u>-</u>	<u>4,975</u>	<u>4,975</u>
Total	<u>\$ 7,604,690</u>	<u>632,043</u>	<u>784,982</u>	<u>(6,192,640)</u>	<u>4,975</u>	<u>(6,187,665)</u>
General Revenues:						
Property tax levied for:						
General purposes	-	-	-	\$ 2,926,884	-	2,926,884
Capital outlay	-	-	-	105,691	-	105,691
Income surtax	-	-	-	238,831	-	238,831
Statewide sales, services and use tax	-	-	-	624,849	-	624,849
Unrestricted state grants	-	-	-	2,751,930	-	2,751,930
Unrestricted investment earnings	-	-	-	11,216	185	11,401
Other general revenues	-	-	-	116,551	57,705	174,256
Total general revenues	-	-	-	<u>6,775,952</u>	<u>57,890</u>	<u>6,833,842</u>
Change in net position	-	-	-	583,312	62,865	646,177
Net position beginning of year	-	-	-	<u>6,594,681</u>	<u>(872)</u>	<u>6,593,809</u>
Net position end of year	-	-	-	<u>\$ 7,177,993</u>	<u>61,993</u>	<u>7,239,986</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 1,857,513	2,919,889	384,730	5,162,132
Receivables:				
Property tax:				
Delinquent	27,829	1,029	783	29,641
Succeeding year	2,838,468	109,291	87,000	3,034,759
Income surtax	224,675	-	-	224,675
Accounts	-	-	673	673
Due from other funds	-	3,644	-	3,644
Due from other governments	154,463	93,585	-	248,048
Total assets	\$ 5,102,948	3,127,438	473,186	8,703,572
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 25,695	-	3,187	28,882
Salaries and benefits payable	558,691	-	-	558,691
Due to other funds	-	-	3,644	3,644
Deferred revenue:				
Succeeding year property tax	2,838,468	109,291	87,000	3,034,759
Income surtax	224,675	-	-	224,675
Total liabilities	3,647,529	109,291	93,831	3,850,651
Fund balances:				
Restricted for:				
Categorical funding	309,803	-	-	309,803
Management levy purposes	-	-	266,694	266,694
Student activities	-	-	115,114	115,114
School infrastructure	-	2,913,392	-	2,913,392
Physical plant and equipment levy	-	104,755	-	104,755
Unassigned:				
General	1,145,616	-	-	1,145,616
Student activities	-	-	(2,453)	(2,453)
Total fund balances	1,455,419	3,018,147	379,355	4,852,921
Total liabilities and fund balances	\$ 5,102,948	3,127,438	473,186	8,703,572

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$ 4,852,921
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	2,879,974
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,587)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	18,479
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	224,675
Long-term liabilities, including bus lease payable, compensated absences payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(796,469)</u>
Net position of governmental activities(page 18)	<u><u>\$ 7,177,993</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 3,149,342	730,540	80,074	3,959,956
Tuition	123,676	-	-	123,676
Other	304,801	6,110	168,399	479,310
State sources	3,130,456	-	-	3,130,456
Federal sources	194,178	-	-	194,178
Total revenues	<u>6,902,453</u>	<u>736,650</u>	<u>248,473</u>	<u>7,887,576</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,132,201	-	3,592	3,135,793
Special	782,593	-	-	782,593
Other	898,108	-	142,874	1,040,982
	<u>4,812,902</u>	<u>-</u>	<u>146,466</u>	<u>4,959,368</u>
Support services:				
Student	131,136	-	-	131,136
Instructional staff	102,896	23,824	-	126,720
Administration	675,386	-	43,476	718,862
Operation and maintenance of plant	412,744	50,539	97,492	560,775
Transportation	354,394	85,310	-	439,704
	<u>1,676,556</u>	<u>159,673</u>	<u>140,968</u>	<u>1,977,197</u>
Capital outlay	-	235,110	-	235,110
Long-term debt:				
Principal	-	-	45,055	45,055
Interest and fiscal charges	-	-	530	530
	<u>-</u>	<u>-</u>	<u>45,585</u>	<u>45,585</u>
Other expenditures:				
AEA flowthrough	249,922	-	-	249,922
Total expenditures	<u>6,739,380</u>	<u>394,783</u>	<u>333,019</u>	<u>7,467,182</u>
Excess(Deficiency) of revenues over(under)expenditures	163,073	341,867	(84,546)	420,394
Other financing sources(uses):				
Transfer in	454	-	45,585	46,039
Transfer out	-	(45,585)	(454)	(46,039)
Proceeds from bus lease	-	85,310	-	85,310
Total other financing sources(uses)	<u>454</u>	<u>39,725</u>	<u>45,131</u>	<u>85,310</u>
Change in fund balances	163,527	381,592	(39,415)	505,704
Fund balances beginning of year	<u>1,291,892</u>	<u>2,636,555</u>	<u>418,770</u>	<u>4,347,217</u>
Fund balances end of year	<u>\$ 1,455,419</u>	<u>3,018,147</u>	<u>379,355</u>	<u>4,852,921</u>

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds(page 22)	\$	505,704
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year is as follows:		
Capital outlays	\$ 252,509	
Depreciation expense	<u>(223,480)</u>	29,029
 Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:		
Issued	(85,310)	
Repaid	<u>45,055</u>	(40,255)
 Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		(1,212)
 Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.		
		141
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		(63,701)
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Compensated absences	(8,504)	
Termination benefits	238,281	
Other postemployment benefits	<u>(76,171)</u>	<u>153,606</u>
 Change in net position of governmental activities(page 19)	 \$	 <u><u>583,312</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business Type Activities: Nonmajor Enterprise Funds				Governmental Activities:
	School	Day	FFA	Total	Internal
	Nutrition	Care	Farm		Service Fund
Assets					
Cash and cash equivalents	\$ 24,855	6,016	35,765	66,636	18,479
Inventories	10,494	-	-	10,494	-
Capital assets, net of accumulated depreciation	21,956	-	-	21,956	-
Total assets	57,305	6,016	35,765	99,086	18,479
Liabilities					
Accounts payable	-	130	-	130	-
Salaries and benefits payable	309	2,281	-	2,590	-
Unearned revenues	327	-	-	327	-
Net OPEB liability	33,666	380	-	34,046	-
Total liabilities	34,302	2,791	-	37,093	-
Net Position					
Invested in capital assets	21,956	-	-	21,956	-
Unrestricted	1,047	3,225	35,765	40,037	18,479
Total net position	\$ 23,003	3,225	35,765	61,993	18,479

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business Type Activities: Nonmajor Enterprise Funds				Governmental Activities:
	School Nutrition	Day Care	FFA Farm	Total	Internal Service Fund
Operating revenues:					
Local sources:					
Charges for service	\$ 146,047	51,780	-	197,827	-
Miscellaneous	483	4,533	52,689	57,705	10,560
Total operating revenues	146,530	56,313	52,689	255,532	10,560
Operating expenses:					
Support services:					
Administration:					
Services	-	-	-	-	10,419
Non-instructional programs:					
Food service operations:					
Salaries	114,833	-	-	114,833	-
Benefits	45,218	-	-	45,218	-
Services	277	-	-	277	-
Supplies	139,142	-	-	139,142	-
Depreciation	3,664	-	-	3,664	-
Other	338	-	-	338	-
	303,472	-	-	303,472	-
Other enterprise operations:					
Supplies	-	-	6,749	6,749	-
Community service operations:					
Salaries	-	42,049	-	42,049	-
Benefits	-	6,440	-	6,440	-
Supplies	-	5,171	-	5,171	-
Other	-	246	-	246	-
	-	53,906	-	53,906	-
Total operating expenses	303,472	53,906	6,749	364,127	10,419
Operating income(loss)	(156,942)	2,407	45,940	(108,595)	141
Non-operating revenues:					
Interest income	88	44	53	185	-
State sources	3,027	2,740	-	5,767	-
Federal sources	165,508	-	-	165,508	-
Total non-operating revenues	168,623	2,784	53	171,460	-
Change in net position	11,681	5,191	45,993	62,865	141
Net position beginning of year	11,322	(1,966)	(10,228)	(872)	18,338
Net position end of year	\$ 23,003	3,225	35,765	61,993	18,479

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT I

**RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013**

	Business Type Activities: Nonmajor Enterprise Funds				Governmental Activities:
	School Nutrition	Day Care	FFA Farm	Total	Internal Service Fund
Cash flows from operating activities:					
Cash received from sale of lunches and breakfasts	\$ 142,994	-	-	142,994	-
Cash received from daycare operations	-	51,780	-	51,780	-
Cash received from student farm operations	-	-	52,689	52,689	-
Cash received from miscellaneous operating activities	483	4,533	-	5,016	10,560
Cash payments to employees for services	(158,045)	(59,182)	-	(217,227)	(10,419)
Cash payments to suppliers for goods or services	(122,729)	(5,287)	(6,749)	(134,765)	-
Net cash provided by(used in) operating activities	(137,297)	(8,156)	45,940	(99,513)	141
Cash flows from non-capital financing activities:					
State grants received	3,027	2,740	-	5,767	-
Federal grants received	151,169	-	-	151,169	-
Net cash provided by non-capital financing activities	154,196	2,740	-	156,936	-
Cash flows from investing activities:					
Interest on investments	88	44	53	185	-
Net increase(decrease) in cash and cash equivalents	16,987	(5,372)	45,993	57,608	141
Cash and cash equivalents at beginning of year	7,868	11,388	(10,228)	9,028	18,338
Cash and cash equivalents at end of year	\$ 24,855	6,016	35,765	66,636	18,479
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:					
Operating income(loss)	\$ (156,942)	2,407	45,940	(108,595)	141
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:					
Commodities consumed	14,339	-	-	14,339	-
Depreciation	3,664	-	-	3,664	-
Decrease in inventories	2,689	-	-	2,689	-
Increase in accounts payable	-	130	-	130	-
Decrease in salaries and benefits payable	(943)	(1,086)	-	(2,029)	-
Increase(Decrease) in other postemployment benefits	2,949	(9,607)	-	(6,658)	-
Decrease in unearned revenue	(3,053)	-	-	(3,053)	-
Net cash provided by(used in) operating activities	\$ (137,297)	(8,156)	45,940	(99,513)	141

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$14,339 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2013

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	\$ 81,749
Liabilities	<u>-</u>
Net Position	
Restricted for scholarships	<u>\$ 81,749</u>

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2013

		Private Purpose Trust	Scholarship
Additions:			
Local sources:			
Gifts and contributions	\$	1,000	
Interest income		1,146	
Realized gain on investments		316	
Total additions		2,462	
Deductions:			
Instruction:			
Scholarships awarded		1,400	
Support services:			
Administration		532	
Total deductions		1,932	
Excess of revenues over expenditures		530	
Other financing sources:			
Unrealized gain on investments		5,691	
Change in net position		6,221	
Net position beginning of year		75,528	
Net position end of year	\$	81,749	

SEE NOTES TO FINANCIAL STATEMENTS.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1. Summary of Significant Accounting Policies

The Riverside Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Carson, Oakland, and Macedonia, Iowa, and the predominate agricultural territory in Pottawattamie County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Riverside Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Riverside Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Pottawattamie County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consist of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following nonmajor proprietary funds:

The District's proprietary funds include the Enterprise School Nutrition, Day Care and FFA Farm Funds as well as the District's Internal Service Fund. The School Nutrition, Day Care and FFA Farm Funds are used to account for the food service, day care and farming operations of the District. The Internal Service Fund is used to account for the District's employee flexible benefit plan. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	5,000
Land improvements	2,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	5-20 years
Intangibles	2 or more years
Machinery and equipment	3-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Balances - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classification.

Restricted Net Position - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the support services functional area.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments in marketable securities are stated at the approximate fair value based on the closing price for the fund on June 30, 2013.

At June 30, 2013, the District's investment in mutual funds to be used to give scholarship awards to students consists of the following:

Name of Mutual Fund	Number of Shares	Fair Value
Vanguard Growth Index Fund	305	\$ 12,295
Vanguard Developed Markets Index Fund	831	8,308
Vanguard Small-Cap Index Fund	148	6,665
Vanguard Value Index Fund	498	13,156
Vanguard Total Bond Market Index Fund	2,416	25,777
Vanguard FTSE Emerging Markets ETF	53	2,067
Total	4,252	\$ 68,268

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects: Physical Plant and Equipment Levy	Management Levy	<u>\$ 3,644</u>

The Management Levy Fund is repaying the Capital Projects: Physical Plant and Equipment Levy Fund for property tax received to the incorrect fund.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 45,585
General Total	Special Revenue: Student Activity	<u>454</u> <u>\$ 46,039</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's bus and computer leases.

The transfer from the Student Activity Fund to the General Fund was needed to move money from an inappropriate account in the Student Activity Fund per auditor request from the fiscal year 2012 audit.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 491,505	-	-	491,505
Total capital assets not being depreciated	<u>491,505</u>	<u>-</u>	<u>-</u>	<u>491,505</u>
Capital assets being depreciated:				
Buildings	6,392,440	167,199	-	6,559,639
Land improvements	289,437	-	-	289,437
Machinery and equipment	1,178,006	85,310	-	1,263,316
Total capital assets being depreciated	<u>7,859,883</u>	<u>252,509</u>	<u>-</u>	<u>8,112,392</u>
Less accumulated depreciation for:				
Buildings	4,310,921	165,719	-	4,476,640
Land improvements	77,445	14,472	-	91,917
Machinery and equipment	1,112,077	43,289	-	1,155,366
Total accumulated depreciation	<u>5,500,443</u>	<u>223,480</u>	<u>-</u>	<u>5,723,923</u>
Total capital assets being depreciated, net	<u>2,359,440</u>	<u>29,029</u>	<u>-</u>	<u>2,388,469</u>
Governmental activities capital assets, net	<u>\$ 2,850,945</u>	<u>29,029</u>	<u>-</u>	<u>2,879,974</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 81,430	-	-	81,430
Less accumulated depreciation	55,810	3,664	-	59,474
Business type activities capital assets, net	<u>\$ 25,620</u>	<u>(3,664)</u>	<u>-</u>	<u>21,956</u>

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular		\$	8,663
Other			1,101
Support services:			
Transportation			33,525
			<u>43,289</u>
Unallocated depreciation			<u>180,191</u>
Total governmental activities depreciation expense		\$	<u>223,480</u>
Business type activities:			
Food service operations		\$	<u>3,664</u>

Note 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Computer lease	\$ 15,821	-	15,821	-	-
Bus lease	-	85,310	29,234	56,076	27,647
Termination benefits	238,281	-	238,281	-	-
Compensated absences	7,705	16,209	7,705	16,209	16,209
Net OPEB liability	648,013	76,171	-	724,184	-
Total	<u>\$ 909,820</u>	<u>177,690</u>	<u>291,041</u>	<u>796,469</u>	<u>43,856</u>

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 40,704	-	6,658	34,046	-

Bus Lease

During the year ended June 30, 2013, the District entered into a capital lease agreement for a bus with De Lage Landen Public Finance. The lease bears an annual interest rate of 2.83% and is payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund. Details of the District's indebtedness under the lease agreement as of June 30, 2013 are as follows:

Year Ending June 30,	Bus lease issued July 6, 2012				
	Interest Rate		Principal	Interest	Total
2014	2.83	% \$	27,647	1,587	29,234
2015	2.83		28,429	805	29,234
Total		\$	56,076	2,392	58,468

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$326,735, \$293,931 and \$249,254 respectively, equal to the required contributions for each year.

Note 8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription benefits for employees, retirees and their spouses. There are 69 active and 11 retired members in the plan. Retired participants must be age 55 or older at age of retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/vision benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 174,332
Interest on net OPEB obligation	17,218
Adjustment to annual required contribution	<u>(61,477)</u>
Annual OPEB cost	130,073
Contributions made	<u>(60,560)</u>
Increases in net OPEB obligation	69,513
Net OPEB obligation beginning of year	<u>688,717</u>
 Net OPEB obligation end of year	 <u><u>\$ 758,230</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
2011	\$ 314,455	29.30%	\$ 451,070
2012	338,247	29.74%	688,717
2013	130,073	46.56%	758,230

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,406,061, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,406,061. The covered payroll (annual payroll of active employees covered by the plan) was \$3,318,028 and the ratio of the UAAL to covered payroll was 42.38%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual health cost trend rate is 5%. Mortality rates are from the Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Risk Management

The District is a member in the Iowa Star Schools Employees Benefits Health Plan, an Iowa Code Chapter 28E organization. Iowa Star Schools Employees Benefits Health Plan is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. Iowa Star Schools Employees Benefits Health Plan was set up for the purpose of managing and funding employee benefits. Iowa Star Schools Employees Benefits Health Plan provides coverage and protection in the following categories: medical. District contributions to Iowa Star Schools Employees Benefits Health Plan for the year ended June 30, 2013 were \$589,598.

Riverside Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$249,922 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Operating Lease

The District entered into a five year contract to lease printers from Access Systems on July 12, 2010. The District paid \$23,804 in fiscal year 2013 under this lease agreement.

Note 12. Deficit Unassigned Fund Balance

The District had four negative accounts within the Special Revenue, Student Activity Fund totaling \$2,453 unassigned fund balance at June 30, 2013.

Note 13. Budget Overexpenditure

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2013, expenditures in the support services functional area exceeded the certified budget.

Note 14. Categorical Funding

The District’s restricted fund balances for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
Limited English Proficiency	\$ 11,520
Gifted and Talented Programs	44,706
Returning Dropouts and Dropout Prevention Programs	200,907
Teacher Salary Supplement	625
Beginning Administrator Mentoring and Induction Programs	1,420
Professional Development for Model Core Curriculum	26,607
Professional Development	24,018
Total	<u>\$ 309,803</u>

REQUIRED SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF
 REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Funds Actual		Original	Final	
Revenues:						
Local sources	\$ 4,562,942	255,717	4,818,659	4,986,889	4,986,889	(168,230)
State sources	3,130,456	5,767	3,136,223	3,226,001	3,226,001	(89,778)
Federal sources	194,178	165,508	359,686	130,000	130,000	229,686
Total revenues	<u>7,887,576</u>	<u>426,992</u>	<u>8,314,568</u>	<u>8,342,890</u>	<u>8,342,890</u>	<u>(28,322)</u>
Expenditures/Expenses:						
Instruction	4,959,368	-	4,959,368	5,006,400	5,006,400	47,032
Support services	1,977,197	-	1,977,197	1,878,200	1,878,200	(98,997)
Non-instructional programs	-	364,127	364,127	1,055,000	1,055,000	690,873
Other expenditures	530,617	-	530,617	3,054,594	3,054,594	2,523,977
Total expenditures/expenses	<u>7,467,182</u>	<u>364,127</u>	<u>7,831,309</u>	<u>10,994,194</u>	<u>10,994,194</u>	<u>3,162,885</u>
Excess(Deficiency) of revenues over(under)expenditures/expenses	420,394	62,865	483,259	(2,651,304)	(2,651,304)	3,134,563
Other financing sources, net	<u>85,310</u>	<u>-</u>	<u>85,310</u>	<u>-</u>	<u>-</u>	<u>85,310</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	505,704	62,865	568,569	(2,651,304)	(2,651,304)	3,219,873
Balances beginning of year	<u>4,347,217</u>	<u>(872)</u>	<u>4,346,345</u>	<u>3,845,736</u>	<u>3,845,736</u>	<u>500,609</u>
Balances end of year	<u>\$ 4,852,921</u>	<u>61,993</u>	<u>4,914,914</u>	<u>1,194,432</u>	<u>1,194,432</u>	<u>3,720,482</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund for fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2013, expenditures in the support services functional area exceeded the amounts budgeted.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 2,827,303	\$ 2,827,303	0.00%	\$ 3,162,799	89.39%
2011	July 1, 2009	-	2,732,588	2,732,588	0.00%	3,471,585	78.71%
2012	July 1, 2009	-	2,501,798	2,501,798	0.00%	3,223,417	77.61%
2013	July 1, 2012	-	1,406,061	1,406,061	0.00%	3,318,028	42.38%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 269,555	115,175	384,730
Receivables:			
Property tax:			
Delinquent	783	-	783
Succeeding year	87,000	-	87,000
Accounts	-	673	673
Total assets	\$ 357,338	115,848	473,186
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	3,187	3,187
Due to other funds	3,644	-	3,644
Deferred revenue:			
Succeeding year property tax	87,000	-	87,000
Total liabilities	90,644	3,187	93,831
Fund balances:			
Restricted for:			
Management levy purposes	266,694	-	266,694
Student activities	-	115,114	115,114
Unassigned	-	(2,453)	(2,453)
Total fund balances	266,694	112,661	379,355
Total liabilities and fund balances	\$ 357,338	115,848	473,186

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 2

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total Special Revenue		
Revenues:					
Local sources:					
Local tax	\$ 80,074	-	80,074	-	80,074
Other	3,306	165,093	168,399	-	168,399
Total revenues	<u>83,380</u>	<u>165,093</u>	<u>248,473</u>	<u>-</u>	<u>248,473</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,592	-	3,592	-	3,592
Other	-	142,874	142,874	-	142,874
Support services:					
Administration	43,476	-	43,476	-	43,476
Operation and maintenance of plant	97,492	-	97,492	-	97,492
Long-term debt:					
Principal	-	-	-	45,055	45,055
Interest and fiscal charges	-	-	-	530	530
Total expenditures	<u>144,560</u>	<u>142,874</u>	<u>287,434</u>	<u>45,585</u>	<u>333,019</u>
Excess(Deficiency) of revenues over(under) expenditures	(61,180)	22,219	(38,961)	(45,585)	(84,546)
Other financing sources(uses):					
Transfer in	-	-	-	45,585	45,585
Transfer out	-	(454)	(454)	-	(454)
Total other financing sources(uses)	<u>-</u>	<u>(454)</u>	<u>(454)</u>	<u>45,585</u>	<u>45,131</u>
Change in fund balances	(61,180)	21,765	(39,415)	-	(39,415)
Fund balances beginning of year	<u>327,874</u>	<u>90,896</u>	<u>418,770</u>	<u>-</u>	<u>418,770</u>
Fund balances end of year	<u>\$ 266,694</u>	<u>112,661</u>	<u>379,355</u>	<u>-</u>	<u>379,355</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 2,819,807	100,082	2,919,889
Receivables:			
Property tax:			
Delinquent	-	1,029	1,029
Succeeding year	-	109,291	109,291
Due from other funds	-	3,644	3,644
Due from other governments	93,585	-	93,585
Total assets	\$ 2,913,392	214,046	3,127,438
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	109,291	109,291
Total liabilities	-	109,291	109,291
Fund balances:			
Restricted for:			
School infrastructure	2,913,392	-	2,913,392
Physical plant and equipment	-	104,755	104,755
Total fund balances	2,913,392	104,755	3,018,147
Total liabilities and fund balances	\$ 2,913,392	214,046	3,127,438

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 624,849	105,691	730,540
Other	5,891	219	6,110
Total revenues	630,740	105,910	736,650
Expenditures:			
Current:			
Support services:			
Instructional staff	-	23,824	23,824
Operation and maintenance of plant	42,397	8,142	50,539
Transportation	85,310	-	85,310
Capital outlay	145,862	89,248	235,110
Total expenditures	273,569	121,214	394,783
Excess(Deficiency) of revenues over(under) expenditures	357,171	(15,304)	341,867
Other financing sources(uses):			
Transfer out	(45,585)	-	(45,585)
Proceeds from bus lease	85,310	-	85,310
Total other financing sources(uses)	39,725	-	39,725
Change in fund balances	396,896	(15,304)	381,592
Fund balances beginning year	2,516,496	120,059	2,636,555
Fund balances end of year	\$ 2,913,392	104,755	3,018,147

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 5

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund/ Intrafund Transfers	Balance End of Year
Drama	\$ (146)	-	-	146	-
Spring play	58	-	-	-	58
Speech	-	48	-	-	48
Vocal	2,611	6,571	7,157	-	2,025
Musical	1,539	1,260	-	(147)	2,652
MS vocal festival	212	-	952	-	(740)
6th grade opera	29	-	-	-	29
Band	7,366	271	125	-	7,512
MS band festival	620	-	-	-	620
Cross country	263	-	-	-	263
Basketball camp	1,493	2,140	2,131	-	1,502
Football camp	2,041	3,857	1,709	-	4,189
Baseball camp	940	1,225	143	-	2,022
Golf	-	150	-	-	150
Girls basketball camp	102	2,124	195	-	2,031
Volleyball camp	3,351	1,482	553	-	4,280
Boys soccer	-	328	313	-	15
Girls soccer	-	200	-	-	200
Softball clinic	523	1,416	1,010	-	929
Athletics	15,477	49,909	46,962	(19)	18,405
Uniforms	5,142	21,234	9,930	-	16,446
5th Grade Project	212	-	-	-	212
Dance Team	327	9,838	8,868	-	1,297
FFA	6,975	152	1,578	-	5,549
US West-Rold	20	-	-	-	20
Revolving	(487)	-	-	487	-
1st grade-US West	444	-	-	-	444
MS student activities	1,687	19,153	19,618	-	1,222
Middle school library	248	2,496	2,725	-	19
FCCLA	1,490	3,873	4,483	-	880
ITAG grant	68	-	-	-	68
Annual	3,855	5,889	5,933	-	3,811
Bulldog bites	131	-	-	-	131
Football cheerleaders	3,307	2,462	2,215	-	3,554
Robotics club	554	-	-	-	554
DC trip	3,258	461	496	-	3,223
Student needs(civic donations)	1,266	363	-	-	1,629
HS student council pop fund	(348)	-	65	413	-
MS student council	1,171	2,480	3,583	(157)	(89)
Library	255	191	-	-	446
Elementary book fair	5,923	4,770	4,784	-	5,909
Preschool incidentals	454	-	-	(454)	-
National honor society	128	-	110	-	18
R club	241	-	-	-	241
HS student improvement	1,679	1,054	503	2,774	5,004
HS recognition area	335	-	55	-	280
Special ed. Needs(Putnam classroom)	462	207	11	-	658
8th grade team	333	-	470	(108)	(245)
HS student council	3,403	2,048	3,851	(293)	1,307
Wrestling cheerleader	147	2,637	1,865	-	919
Jump rope for heart	990	70	70	-	990
Art club	263	-	-	-	263
Weight room	-	2,286	1,024	-	1,262
Cheerleaders/BB	259	982	619	-	622
Outdoor classroom	128	-	-	-	128
Science club	1,214	-	-	-	1,214
Class of 2009	2,840	-	-	(2,840)	-
Class of 2010	156	-	-	(156)	-
Class of 2011	427	-	-	(427)	-
Class of 2012	(327)	-	-	327	-
Class of 2013	3,050	25	4,454	-	(1,379)
Class of 2014	1,652	9,166	4,268	-	6,550
Class of 2015	1,085	1,335	-	-	2,420
Class of 2016	-	940	46	-	894
Total	\$ 90,896	165,093	142,874	(454)	112,661

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund				
	Vickie Diane Lester Trust	Gilpin Scholarship	Karen Nelson Trust	Other Scholarships	Total
Assets					
Cash and pooled investments	\$ 65,577	8,071	607	7,494	81,749
Liabilities					
	-	-	-	-	-
Net Position					
Restricted for scholarships	\$ 65,577	8,071	607	7,494	81,749

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund				Total
	Vickie Diane Lester Trust	Gilpin Scholarship	Karen Nelson Trust	Other Scholarships	
Additions:					
Local sources:					
Gifts and contributions	\$ -	-	1,000	-	1,000
Interest income	1,126	12	7	1	1,146
Realized gain on investments	316	-	-	-	316
Total additions	1,442	12	1,007	1	2,462
Deductions:					
Instruction:					
Scholarships awarded	-	1,000	400	-	1,400
Support services:					
Administration	532	-	-	-	532
Total deductions	532	1,000	400	-	1,932
Excess (Deficiency) of revenues over(under) expenditures	910	(988)	607	1	530
Other financing sources:					
Unrealized gain on investments	5,691	-	-	-	5,691
Change in net position	6,601	(988)	607	1	6,221
Net position beginning of year	58,976	9,059	-	7,493	75,528
Net position end of year	\$ 65,577	8,071	607	7,494	81,749

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

RIVERSIDE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:									
Local sources:									
Local tax	\$ 3,959,956	3,924,797	4,189,038	3,726,105	3,612,576	3,113,882	3,063,277	2,892,498	2,729,667
Tuition	123,676	121,430	50,532	122,083	154,795	169,227	113,999	110,783	113,448
Other	479,310	402,760	435,670	381,963	420,374	492,777	452,204	424,954	296,157
Intermediate sources	-	-	-	-	-	15,229	-	-	-
State sources	3,130,456	3,077,937	2,826,333	2,465,780	2,963,000	2,911,515	2,920,328	2,822,573	2,990,315
Federal sources	194,178	225,941	322,295	490,706	189,645	131,020	144,653	152,721	143,921
Total	\$ 7,887,576	7,752,865	7,823,868	7,186,637	7,340,390	6,833,650	6,694,461	6,403,529	6,273,508
Expenditures:									
Instruction:									
Regular	\$ 3,135,793	2,944,468	2,879,560	2,888,195	3,109,105	2,694,951	2,381,372	2,380,366	2,545,428
Special	782,593	842,896	801,118	878,157	865,248	835,938	803,953	830,959	883,740
Other	1,040,982	1,001,941	762,619	583,512	415,539	820,609	831,456	809,845	622,189
Support services:									
Student	131,136	132,448	167,636	132,161	188,921	189,734	180,071	184,844	190,846
Instructional staff	126,720	95,387	222,376	96,237	119,850	120,140	134,178	144,133	63,720
Administration	718,862	774,304	748,320	706,836	582,390	612,617	621,653	598,364	586,972
Operation and maintenance of plant	560,775	573,140	519,632	566,148	544,026	566,046	534,428	472,249	442,387
Transportation	439,704	337,828	338,084	268,413	251,994	295,056	438,144	360,060	271,719
Non-instructional programs:									
Food service operations	-	-	-	-	-	-	-	-	10,997
Capital outlay	235,110	348,527	996,251	401,482	234,265	382,908	365,101	484,305	115,785
Long-term debt:									
Principal	45,055	24,280	49,312	21,181	82,342	57,838	-	-	-
Interest	530	1,984	4,640	2,485	2,639	3,477	-	-	-
Other expenditures:									
AEA flow-through	249,922	242,360	271,411	257,342	236,389	214,810	209,591	199,163	199,961
Total	\$ 7,467,182	7,319,563	7,760,959	6,802,149	6,632,708	6,794,124	6,499,947	6,464,288	5,933,744

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the Riverside Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Riverside Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Riverside Community School District's internal control over financial reporting to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Riverside Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Riverside Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, there can be no assurance all deficiencies, significant material weaknesses or deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-13 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Riverside Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Riverside Community School District's Responses to Findings

Riverside Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Riverside Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion of the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Riverside Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

May 22, 2014
Newton, Iowa

RIVERSIDE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District.

- 1) Cash - bank reconciliations, cash receipts, disbursement and approval functions
- 2) Inventories - purchasing, recording and maintaining inventory records
- 3) Capital assets - responsibility for assets and periodic testing
- 4) Receipts - recording, depositing, posting and reconciling.
- 5) Disbursements - check preparation, signing checks, voucher preparation and reconciling disbursements to the check register.
- 6) Payroll - approval of and recording employees added or deleted from the payroll system, approval of and payment of payroll taxes, write checks, sign checks and post payroll to the general ledger.
- 7) Long-term debt - maintain records and performs cash functions
- 8) Transfers - authorization, recording and approval
- 9) Wire transfers - processing and approval.
- 10) Financial reporting - preparing, reconciling and approving.
- 11) Computer systems - performing all general accounting functions and controlling all data input and output.
- 12) Journal entries - posting and approval.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District will investigate opportunities to reassign functions to achieve better segregation of duties.

Conclusion - Response accepted.

I-B-13 Gate Admissions - It was noted that the District does not use pre-numbered tickets for all events that requires an admission.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.

- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District will work to develop procedures in an effort to comply with this finding.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013 exceeded the amounts budgeted in the support services functional area.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Comparison of actual expenses to the Certified Budget will be done on a more frequent basis to insure accuracy and compliance.

Conclusion - Response accepted.

II-B-13 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-13 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rhonda Crumley, Paraeducator Owns M&R Mowing	Lawn Services	\$7,210

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the paraeducator do not appear to represent a conflict of interest.

II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-13 Board Minutes - We noted during our audit that a transfer for the payment of \$15,821 for the District's computer lease was not approved by the Board.

Recommendation - All transfers between funds should be approved by the Board and noted in the Board minutes.

Response - The District will insure that Board approval is obtained and correctly documented.

Conclusion - Response accepted.

II-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-13 Supplemental Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-13 Deposits and Investments - The District's investment policy does appear to comply with Chapter 12B and Chapter 12C of the Code of Iowa, however, we noted during our audit that the District owns stock in its Trust Fund through investments in a mutual funds with an Omaha Community Endowment account. This would be non-compliant with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa, as well as the District's investment policy.

Recommendation - The District should sell the investment in mutual funds and invest in an investment within compliance of the District policy number 704.3 and Chapter 12B and Chapter 12C of the Code of Iowa.

Response - The District will investigate investment options available through the Omaha Community Foundation to meet the requirements of Chapter 12B and Chapter 12C. The District will also review policy 704.3.

Conclusion - Response accepted.

II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-13 Categorical Funding - We noted during our audit that the District attributed time spent by teachers during the regular education class time to Returning Dropouts and Dropout Prevention Program. As set out by Iowa Administrative Code 281 Chapter 98.21(3) "Financial Management of Categorical Funding", any expenditure not directly related to providing the returning dropout and dropout prevention program beyond the scope of the regular classroom is an inappropriate expenditure.

We noted during our audit that the District applied \$11,519.80 of expenses to Limited English Proficiency(LEP) to make-up for prior year allowable expenditures that were not expensed to LEP. It is not appropriate to allocate "catch up" expenses to the current year for prior year expenditures.

The following are adjustments to the ending restricted balances for categorical funding:

	<u>Restricted Balance on District's CAR</u>	<u>Amount of Expense Adjustment</u>	<u>Audited Ending Restricted Balance</u>
Limited English Proficiency	\$ -	\$ 11,520	\$ 11,520
Returning Dropouts and Dropout Prevention	119,250	81,657	200,907

Recommendation - The District should review Chapter 98 of the Iowa Administrative Code "Financial Management of Categorical Funding" to better understand the appropriate vs. inappropriate expenditures for Categorical Funding. The District should contact the Iowa Department of Education regarding required corrective action.

The District should contact the Department of Education for guidance regarding the expenditures that were not applied to Limited English Proficiency in FY2011 and the required corrective action to ending restricted balance.

Response - The District will review Chapter 98 of the Iowa Administrative Code. The District will also contact the appropriate department at the State of Iowa and take actions approved by that organization.

Conclusion - Response accepted.

II-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June, 30, 2013, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit.

Beginning Balance		\$ 2,516,496
Revenues:		
Sales tax revenue	\$ 624,849	
Other local revenues	5,891	
Proceeds from bus lease	<u>85,310</u>	<u>716,050</u>
		3,232,546
Expenditures/transfer out:		
School infrastructure construction	35,675	
Equipment	237,894	
Transfer to another fund:		
Debt service fund	<u>45,585</u>	<u>319,154</u>
Ending balance		<u><u>\$ 2,913,392</u></u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-13 Deficit Balances - At June 30, 2013, the District had four negative accounts with a total deficit unassigned balance of \$2,453 in the Student Activity Fund.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits.

Response - Negative balances will be evaluated and brought to zero where appropriate.

Conclusion - Response accepted.

II-N-13 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations which have been outstanding for over a year.

Recommendation - The District should research outstanding checks to determine if they should be re-issued or voided. Once checks have been outstanding for two years, the checks should be submitted to the Treasurer of Iowa as unclaimed property. Per Chapter 556.1(10) and 556.11 of the code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District will submit those outstanding checks to the Treasurer of Iowa.

Conclusion - Response accepted.

II-O-13 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. More specific examples of these instances of questioned accounts and recommendations are as follows:

Questioned Accounts: We noted during our audit the following accounts within the Student Activity Fund that do not appear to be related to cocurricular or extracurricular activities:

ITAG Grant- This account appears to be related to the Gifted and Talented program which is part of the instructional program of the District and should be accounted for in the General Fund.

Middle School Library, Library and Elementary Book Fair - These accounts appear to account for the proceeds from book fairs and other donations to the District's libraries. The proceeds from book fairs are used to purchase library books which are instructional in nature and should be accounted for in the General Fund. Library accounts in the Student Activity Fund are for instructional support activities and should be accounted for in the General Fund.

Student Needs(civic donations) - This account is used to account for gifts and donations from the booster club and other organizations. It is also used to account for interest earned on the cash balance of the Student Activity Fund.

Special Ed. Needs(Putnam classroom) - This account appears to be used for a learning exercise for the District's Special Education students. The students count returnable cans for community groups and then receive the deposit proceeds from the redemption of the cans. This appears to be part of an instructional program and should be accounted for in the General Fund.

Outdoor Classroom - This account appears to be instructional in nature and should be accounted for in the General Fund.

Recommendation - These accounts do not appear to be cocurricular or extracurricular in nature and should be accounted for in the General Fund.

Response - The District will review the nature of the accounts and where necessary transfer the balances to the General Fund.

Conclusion - Response accepted.